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I would now like to go back to the United States and Jean-Claude Gruffat, who is in fact embedded in the United States and a long-time observer of American foreign policy and domestic policy.

Jean-Claude Gruffat

Good afternoon, good morning for me and I am delighted to be able to speak to you today and listen to some of the panelists who talked before me. I am sorry I could not be in Abu Dhabi, but I am glad that I can at least spend some time with you.

Let me start by talking about the midterm election. You have heard my Democratic friends on the panel talking about the fact that it was really not what we were expecting, that there was no surge, wave, or tsunami of Republicans. The reality is that this exactly the way it has been describe. If you look at a state like Florida, where Governor DeSantis was re-elected with a margin of 20%, when he was barely elected in the last election. When you look at Texas or Georgia, as one of the panelists said, this is not effectively a defeat for the Republicans it is a defeat for Trump and that is quite obvious. Even in my state of New York, the Republicans made significant progress and we were discussing that a couple of days ago. Therefore, in the midterm election we have a slight majority of Republicans in the House, a slight majority of Democrats in the Senate, now what is the impact on foreign policy.

I am not going to make predictions I am simply going to state two things that for me are the biggest result of the election. Number one, the United States has largely benefitted from the Russia-Ukraine conflagration. It is true that the United States and the Biden administration have supported the Zelensky administration from the very beginning with massive financial and military aid, but the US has largely benefitted from it for a variety of reasons. Number one, and thanks largely to the last administration, the US is practically energy independent and is exporting LNG to Europe as you know and benefitting from that. The next effect of availability of cheaper energy is also to attract investors to the United States. A few European companies have already shifted some of their operations from Europe to the US to benefit also from the subsidies and the tax incentives the Biden administration is granting to those that operate in the United States. This is part of the Inflation Reduction Act, which I agree with the other panelists is not really a reduction of inflation but is purely another form of protectionism. That is benefitting not just the US but also our partners in North America like Canada and Mexico.



This is another aspect of this benefit to the US. There is also the fact that the increased contribution to defense that the previous administration requested, whether Obama or Trump, and Biden, has now had an effect in Europe where several countries have announced that they will increase their defense spending, starting with Germany. The benefit also for the US is that that countries like Germany are not spending by buying European equipment from France or forming joint venture alliances but acquiring F35 from the US. That is another benefit for the US. NATO, which the previous administrations had questioned, is also now strengthened by the inclusion of Sweden and Finland, which would have been unthinkable if we had not had the conflagration in Ukraine. We are in a situation where effectively the US has greatly benefitted from this conflict in Europe, this is only a part of it, but this is the reality.

The second point I would like to discuss a little bit is the fact that there might be changes in foreign policy, simply because there is a change of control in the House of Representatives. As you know, the House of Representatives has what we call the power of the purse, they control finance. If they want to pass legislation and the administration wants more money, it has to get it from Congress and Congress starts with the House of Representatives. Without a majority in the House of Representatives, money will not be spent, money will not be authorized. I have to remind you that there is a tradition in the United States of isolationism, which started many years ago and is still alive, one on the left and one on the right, it is not just one side. If you have a traditional part of the Republicans or the libertarian-leaning part of the Republican party represented by somebody like Senator Rand Paul, who for example has been opposed all along to intervention in Afghanistan, but also intervention to a large extent in Ukraine. He is one of the few in the Senate who opposed the USD 40 billion that was proposed in May this year and his argument was that we should not spend money we do not have, and we should spend this money if we can get it on domestic issues instead of spending it far from home without any direct benefit for the security of the United States.

His argument was that we have spent money that we do not have, and we borrowed from China. One word on this because there are a lot of misconceptions on the impact of the Chinese involvement in the United States debt. As you know, the United States has 31 trillion of debt and 6 or 7 trillion is really held by government agencies, the social security, the Federal Reserve system, the other 24 trillion more or less is held by the public and part of it is held by foreigners. The percentage of the public debt of the United States held by foreigners is much less than in France, for example. In France, it is well over 50% foreign owned, in the United States it is barely 30% and the Chinese represent less than 1 trillion now. Contrary to what many people think the Chinese are not the largest holders of United States debt, this is now the Japanese with 1.3 trillion. We are not that dependent on China, and this is something that has to be taken into account when we discuss the overall relationship. I am not going to spend any time talking about China, I know people already talked about it and some of the panelists did.

Also, on the foreign policy, you remember that when Biden was elected he said that he would have a foreign policy for the middle-class and I really did not understand what he meant, though maybe some of you may have a better explanation. Effectively, there have not so far been very many changes of policy other than rejoining the Paris accord and failed attempts to resurrect the JCPOA. Of course, there has been more emphasis on human rights, there was this first meeting with the Chinese in Alaska it was a disaster. There was the pull back from



Afghanistan and personally I support that, I just think it was done in a dreadful way and there are many people who feel that it could have been handled much better.

In fact, because of what happened mid 2021 the confidence of some of the allies in the United States has been severely weakened by the way the Biden administration managed the withdrawal from Afghanistan. That has certainly had an impact on the position of China versus Taiwan. The Biden administration may say they will support Taiwan and defend Taiwan, but there is still a question of how that is going to be implemented if, God forbid, China tried to invade Taiwan.

I am going to stop, I think I could probably have addressed more topics, but I just wanted to give you this sort of balanced view that the US has largely benefitted from the Ukraine-Russian war. At the same time, we are entering a bit more challenging period and we might see the impact of this divided government that ultimately, is a characteristic of the US.

Jim Bitterman

Thank you very much, Jean-Claude. Those were interesting comments, particularly about the debt, I had no idea.